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**U.S. ENTERS NON-PROSECUTION AGREEMENT WITH
JENKENS & GILCHRIST IN CONNECTION WITH ITS
FRAUDULENT TAX SHELTER ACTIVITY**

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York, announced today that his Office has entered into a non-prosecution cooperation agreement (the "Agreement") with the law firm Jenkens & Gilchrist ("J&G") for criminal tax violations arising from J&G's tax shelter activities. In a statement to the United States Attorney's Office for the Southern District of New York (the "Office"), J&G admitted to developing and marketing fraudulent tax shelters, as well as to issuing fraudulent opinion letters.

This decision by the Office was based on four principal factors: J&G's inability to continue practicing law as a firm; J&G's acceptance of responsibility for developing and marketing fraudulent tax shelters, and for rendering fraudulent opinions in connection with those shelters; J&G's cooperation with the Government's investigation into the tax shelter activities of the firm and its individual lawyers; and J&G's entry into an agreement with the Internal Revenue Service ("IRS") to resolve the IRS's promoter penalty audit of J&G, including the payment of a civil penalty.

J&G has recognized, in its statements to this Office and in the Agreement, that its tax shelter practice has caused serious damage to its reputation, revenues and stability, and that as a result it ultimately cannot continue in business. It was once a thriving firm with over 600 attorneys and offices across the nation. Approximately two-thirds of those attorneys left, and its revenues declined sharply, as Government scrutiny of the firm's tax shelter practices intensified, as civil suits were filed, and as the firm's reputation was accordingly tarnished. The firm has advised the Office that it has recently

closed several of its offices, that it will be closing the last of its offices -- its flagship office in Dallas -- at the end of the month, and that J&G will no longer engage in the practice of law.

J&G made the following statement to the United States Attorney's Office concerning the criminal investigation:

"We believe certain J&G attorneys developed and marketed fraudulent tax shelters, with fraudulent tax opinions, that wrongly deprived the U.S. Treasury of significant tax revenues. The firm's tax shelter practice was spearheaded by tax practitioners in J&G's Chicago office who are no longer with the firm. Those responsible for overseeing the Chicago tax practice placed unwarranted trust in the judgment and integrity of the attorneys principally responsible for that practice, and failed to exercise effective oversight and control over the firm's tax shelter practice. Unfortunately, that misplaced trust and reliance extended to our initial response to the IRS and led to public statements we issued in support of our legal opinions. Our prior support for the opinions adversely affected the efforts of the IRS to assess and collect tax revenues. We deeply regret our involvement in this tax practice, and the serious harm it caused to the United States Treasury.

"The Chicago tax shelter practice seriously undermined this firm's long-standing reputation, revenues, and stability. We appreciate the willingness of the U.S. Attorney's Office and the IRS to consider those factors, as well as the cooperation we have provided to the Government since 2004, in determining an appropriate resolution of the grand jury and tax proceedings."

J&G has been cooperating with the Office since 2004. Under the terms of the Agreement, J&G Texas will remain in operation to wind up J&G's business affairs, and to ensure continuing cooperation with the Office, the IRS, and the Tax Division of the Department of Justice in ongoing criminal investigations and in any resulting prosecutions, as well as in civil tax matters.

The IRS announced today that it has entered into a settlement with J&G to resolve its promoter penalty audit of the firm.

Mr. GARCIA said, "Jenkins & Gilchrist lawyers designed, sold, implemented and provided legal opinions for illegal tax shelters. These fraudulent cookie-cutter shelters purported to generate well over a billion dollars in tax losses and eliminate hundreds of millions of dollars in taxes owed by wealthy clients. They sounded too good to be true, and they were too good to be true. The firm has acknowledged not only that its tax shelter practice was fraudulent and caused serious harm to the United States Treasury, but also that the practice caused such harm to the firm's reputation and revenues that it cannot survive as a going concern. The demise of Jenkins & Gilchrist demonstrates that a lucrative but fraudulent tax shelter practice may provide short-term financial rewards, but at a great long-term cost."

Mr. GARCIA praised the efforts of the Criminal Investigation Division of the IRS. Mr. GARCIA also noted that the investigation is continuing.

Assistant United States Attorneys DEBORAH E. LANDIS and JAIKUMAR RAMASWAMY are in charge of the investigation.

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